

Date: 1978 30 By: _____

CONFIDENTIAL~~CONFIDENTIAL~~/CONTROL - U.S. OFFICIALS ONLY

25X1A

CENTRAL INTELLIGENCE AGENCY

- 2 -

whelming support from the rank and file for their political and economic program. Bevan was elected to the executive committee of the party by the highest number of votes, foreshadowing his probable choice as the next British Prime Minister. In the face of the bitter denunciations of Churchill against the mild nationalization program being carried out by Attlee and Bevin; in the face of the proximity of the general elections in 1950 which conservative observers predict would be tough for the Labor Party; despite the losses sustained by the Labor Party in the recent local elections; and in spite of the Marshall Plan, Deputy Prime Minister Morrison announced, and received virtual unanimous rank-and-file support for a bold program of further nationalization of economic activities that could lead to a "collectivist Britain". This is an indication of the failure of the Attlee-Bevin program; it reveals also the effect of pressure from the left which apparently is gaining ground.

The program which in effect is the platform of the Labor Party for the 1950 elections includes nationalization of the cement industry, sugar refining and manufacturing, the wholesale meat trade and slaughterhouses, cold storage, and the water supply utilities. This is an open defiance of the Marshall Plan "free enterprise" philosophy by the dominant party in a government that receives the greatest bulk of Marshall Plan "aid". America sits paralyzed, unable to even protest against this defiance, because the support of the British Government is badly needed in US maneuverings not only at the Paris Four-Power conference of foreign ministers, but also at every stage of the East-West cold war being waged by American imperialism.

More and more Britain is taking independent action in international affairs, with America impotent to do anything about it, because the so-called unity of the Big Three has become shaky of late. Britain has just signed a bilateral trade agreement with Argentina, the strongest of the Latin American powers, and US officials regarded the agreement as "designed to freeze the US out of Argentine markets". It is the old story of inner contradictions in the imperialist front of capitalist powers. Yet no immediate protest was forthcoming from Washington because the Paris Conference was going on when the trade agreement was announced. How badly America needs British support to preserve Big Three "unity" one may surmise from the fact that US State Secretary Dean Acheson could announce nothing to brag about, in connection with the Four-Power Paris Conference, except what he described as "complete understanding" among the Big Three, meaning US, Britain and France. This indicated a need to cover up probable dissidence on the part of Britain and France - particularly France - from recent Big Three moves, for instance, the promulgation of the Bonn Constitution for Western Germany which has now been revealed as containing a provision (article 26, paragraph 2) which says that "weapons designed for warfare may be manufactured, transported or marketed only with the permission of the government". This provision which in effect permits the revival of the war-making potential of Western Germany is a clear violation of the Potsdam Agreement. It also must send shivers of fear running up and down the spine of all Frenchmen whose country has been invaded and occupied by German militarists twice in a generation. In economic terms an industrialized Western Germany also poses a serious threat of competition to the reviving British export in industries.

Britain and France are still being held to the Big Three combination obviously because Marshall Plan appropriations as well as military-assistance plans for Western Europe are currently being debated in the US Congress, with opponents

~~CONFIDENTIAL~~/CONTROL - U.S. OFFICIALS ONLY**CONFIDENTIAL**

CONFIDENTIAL~~SECRET~~/CONTROL - U.S. OFFICIALS ONLY

25X1A

CENTRAL INTELLIGENCE AGENCY

- 3 -

of liberal appropriations visibly gaining ground. Britain and France will * want to have the US dollars must at the same time have to take independent action in order to protect their security in the future against a revived Germany.

British and French economy which contain elements of planning, in contrast to US economy, may be expected to present some resistance to the effects of the severe world depression that is in the offing. The British and French governments, as a matter of fact, may be expected to be pushed decidedly leftward by the impact of the depression. Washington, judging from the latest moves of President Truman, appears on the other hand to be obsessed with measures to cushion the American economy from the coming severe depression. In a speech at Little Rock, Arkansas, President Truman announced plans for an immediate concrete implementation of the famous Point 4 of his inaugural speech shortly after taking office. This Point 4 is the so-called "bold new program" for the building up of the productive capacity of "underdeveloped" areas. This program of course means limited industrialization on the raw-material producing level, but not production of goods that would compete with US exports. From the imperialist point of view this would mean the expansion of the market for US investment capital and for US manufactured goods.

Day after the Little Rock speech of Truman, a Washington dispatch of the British news service Reuter - significantly it was Reuter which showed enough interest in this matter - revealed the supposed three main categories in the implementation of the Truman "bold new program". These categories include bilateral agreements between the US government and the country concerned for the extension of US technical help for the increase of production (raw materials) in the area affected, for which purpose the US government is disposed to set aside up to \$40,000,000; second, the US will support the United Nations efforts to develop these same areas to the tune of \$50,000,000; third, the US government will encourage "private industry to extend its operations abroad in projects to improve the economic conditions of less developed areas".

The crucial problem for US economy, it is obvious, is the rapid development of new areas for exploitation. The Marshall Plan geographic area has not proved adequate to absorb US monopoly investment capital nor US surplus manufactured goods. China and her well-publicized "450,000,000 customers" will be an inviting prize for monopoly capital, but then it remains to be seen whether Communist China will "cooperate" to accommodate America in her desperate need to open up vast markets investment capital and manufactured ** goods in order to cushion herself from the oncoming world depression. The next weeks will show whether Communist China will follow the example of Tito's Yugoslavia and make compromises with US imperialism, or will stick to the clear Marxian thesis that the world depression will wreck irreparably the bastion of imperialism which is the US economy, and therefore any help to America now in her desperate effort to stave off disaster would be treason to the cause of world revolution.

But, certainly, the Burmese socialist party which recently adopted strict Marxist-Leninist principles, thereby possibly strengthening the social revolution in Burma, offers a hint to all the left groups in the "under-developed" countries. Similarly, the Dutch-admitted resurgence of the revolution of Indonesia in which the bourgeois leader Sjarir denounced Soekarno for not insisting on an over-all settlement of the independence problem in the conferences with the Dutch indicated a gathering strength of the people's movement therein. This trend in Indonesia can also mean that western imperialism may not succeed in reestablishing interim domination of that region for purposes of minimizing the severity of the depression's effects upon both Dutch and American monopoly capital.

~~SECRET~~/CONTROL - U.S. OFFICIALS ONLY**CONFIDENTIAL**

CONFIDENTIAL

~~CONFIDENTIAL~~/CONTROL - U.S. OFFICIALS ONLY

25X1A

CENTRAL INTELLIGENCE AGENCY

- 4 -

Against this background of imperialism trying to adjust itself desperately to a world that is moving steadily and swiftly along the path of socialist revolution, the ruling party in the Philippines held its historic national convention on June 11 and 12.

NEWS SUMMARY - ADD
LOCAL

The Liberal Party (Quirino Wing) which was to carry the ball for US imperialism in the Philippines showed itself to be a disintegrating party at its national convention held in the Santa Ana Cabaret June 11 and 12. Throughout the two-day convention, after the expected unanimous nomination of President Elpidio Quirino, the delegates were tense and restive, torn between loyalties to three aspirants to the vice-presidency: Jose Yulo, closely identified with the Elizalde interests and the Spreckles sugar investments in the Philippines; Fernando Lopez, hacendero and transportation magnate of Iloilo province; and Mariano Jesus Cuenco, clerical fascist reactionary politician from Cebu.

Unable to reconcile the conflicting demands of these three aspirants, the leaders of the Quirino faction adopted a clumsy compromise measure of railroading a resolution authored by the executive committee of the party giving Quirino the privilege to choose his running mate, and the executive committee the privilege to select the eight senatorial candidates of the faction. At last report Yulo, darling of vested interests in the Philippines, was believed sure of being chosen by Quirino as his vice-presidential running partner. The rumor, however, was that Quirino had promised, just before he appeared at the convention to deliver his acceptance speech, the vice-presidential nomination to Lopez. If it is Yulo who will be Quirino's running mate, the issue of vested interests could be raised effectively and in a clear-cut manner. In the case of Lopez, the issue, particularly in the Visayas where he is held in high esteem by the masses as a progressive and humanitarian landowner, would be somewhat confused. Cuenco is considered out of the running after he had been bought off, allegedly, by Quirino's promise to make him permanent senate president and to appoint his son, Governor Mammel Cuenco who has established almost a fascist state in Cebu, as the secretary of the interior vice Sotero Baluyut who is scheduled to be shifted to the public works portfolio when Quirino reorganizes his cabinet around July 4, Independence Day.

Quirino's acceptance speech skirted the real issue of the next November elections which is imperialists domination as manifested by the Bell Act. Instead he concentrated his fire on his political enemies: Jose P. Laurel whom he charged with political arsonism because the latter, in a speech at Concepcion, Tarlac, had justified the people's right to resort to arms against an administration that frustrated their will; and Jose Avelino whom he indirectly charged of conducting an indecent and below-the-belt campaign.

The bombshell exploded by Senator Lorenzo M. Tanada day before the Quirino convention opened, in which he exposed complicity of President Quirino and Speaker Eugenio Perez in the immigration quota irregularities, affected the morale of the Quirino faction delegates only slightly. Perez, as president of the party and chairman of the convention was somewhat perturbed, but his hold on the convention appeared unshaken.

~~CONFIDENTIAL~~/CONTROL - U.S. OFFICIALS ONLY

CONFIDENTIAL

~~SECRET~~/CONTROL -- U.S. OFFICIALS ONLY

25X1A

CENTRAL INTELLIGENCE AGENCY

- 5 -
CONFIDENTIAL

Expected crisis that might hit the Quirino party is due after the President announces who his running mate will be. If it is Yulo, it is regarded as certain that Lopez and his followers may bolt the faction and swing over either to the Avelino or the Laurel camp. If it is Lopez, Quintin Paredes, the most formidable senatorial nominee in the Quirino faction, may bolt the party to join Avelino or Laurel. Yulo may or may not follow the same course Paredes is predicted to take. Yulo who is manager of the Elizalde enterprises is also known to be associated with Avelino in the sugar business, particularly in the Canlubang Sugar Estate which had been bought by Yulo with an RFC loan, since then exposed by Senator Mahanag as amounting to P10,000,000.

Indicative of American interest in the developing political fortunes of Laurel was the fact of an interview between the Nationalista presidential candidate and US Ambassador Myron Cowen on the eve of the latter's departure the second week of June. Cowen was reportedly of the opinion that Laurel had a good chance to win and he invited Laurel to the embassy in order to determine the extent of his (Laurel's) supposed anti-Americanism. Unpublished reports regarding this conference were to the effect that Laurel pointed to Cowen the unwarranted meddling of American officials in Philippine internal affairs. To which Cowen is said to have retorted that McNutt and later on O'Neal were both recalled to Washington precisely because they had provoked bitter criticism for their interference in local political affairs. It is apparent US imperialists are preparing the ground for a possible deal with Laurel just in case he come out as the next President of the Philippines.

25X1A

* ~~SECRET~~ Comment. This sentence probably was intended to read -- Britain and France who want to have US dollars etc.

25X1A

** ~~SECRET~~ Comment. This sentence was probably intended to read -- to accommodate America in her desperate need to open up vast markets for investment capital, etc.

~~SECRET~~/CONTROL -- U.S. OFFICIALS ONLY

CONFIDENTIAL